

CITY OF ATLANTIC, IOWA

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
SUPPLEMENTARY AND OTHER INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2015

CITY OF ATLANTIC, IOWA  
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CITY OF ATLANTIC, IOWA  
OFFICIALS  
June 30, 2015

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
David R. Jones	Mayor	January, 2018
Richard Casady	Council Member	January, 2018
Bob Cord	Council Member	January, 2018
Kathy Somers	Council Member	January, 2018
Dana Halder	Council Member	January, 2016
Linda Hartkopf	Council Member	January, 2016
Ashley Hayes	Council Member	January, 2016
Chris Jimerson	Council Member	January, 2016
Doug Harris (Resigned October, 2014)	City Administrator	
John Lund (Started October, 2014)	City Administrator	Indefinite
Deb Wheatley Field	City Clerk/Treasurer	January, 2016
David L. Wiederstein	City Attorney	January, 2016

# Gronewold, Bell, Kyhnn & Co. P.C.

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS AND FINANCIAL CONSULTANTS

1910 EAST 7th STREET BOX 369  
ATLANTIC, IOWA 50022-0369  
(712) 243-1800  
FAX (712) 243-1265  
CPA@GBKCO.COM

MARK D. KYHNN  
DAVID L. HANNASCH  
KENNETH P. TEGELS  
CHRISTOPHER J. NELSON  
DAVID A. GINTHER

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the City Council

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Atlantic, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

To the Honorable Mayor and  
Members of the City Council

## **Opinions**

### *Basis for Adverse Opinion on the Discretely Presented Component Unit*

The financial statements do not include financial data for the City's discretely presented component unit because the Atlantic Municipal Utilities System reports in accordance with U.S. generally accepted accounting principles, a different financial reporting framework than the City's cash basis of accounting. Accounting principles applicable to the cash basis of accounting require the financial data for all component units be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity which include the financial data of all component units. The City has not issued such reporting entity financial statements. The amount by which this departure affects cash and cash basis net position of the aggregate discretely presented component unit has not been determined.

### *Adverse Opinion*

In our opinion, because of the significance of the matter discussed in the "Basis of Adverse Opinion on the Discretely Presented Component Unit" paragraph, the financial statements referred to above do not present fairly the financial position of the discretely presented component unit of the City of Atlantic as of June 30, 2015, or the changes in cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

### *Unmodified Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Atlantic as of June 30, 2015, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

## **Basis of Accounting**

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

## **Emphasis of a Matter**

As disclosed in Note 4 to the financial statements, the City of Atlantic adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. Our opinions are not modified with respect to this matter.

To the Honorable Mayor and  
Members of the City Council

## **Other Matters**

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Atlantic's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2014 (which is not presented herein) and expressed adverse and unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements for the eight years ended June 30, 2013 (none of which are presented herein), were audited by other auditors whose report expressed adverse and unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in page 1 and pages 36 through 42, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, the City's Management's Discussion and Analysis, the budgetary comparison information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 5 through 5e and 30 through 35, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

## **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated December 21, 2015 on our consideration of the City of Atlantic's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Atlantic's internal control over financial reporting and compliance.

*Gmewald, Ben, Kuhn & Co. P.C.*

Atlantic, Iowa  
December 21, 2015

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The City of Atlantic has prepared the Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2015 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 35.3%, or approximately \$2,626,000, in fiscal year 2015 from fiscal year 2014. Bond and note proceeds increased approximately \$1,955,000 while property tax increased approximately \$166,000.
- Disbursements of the City's governmental activities decreased 16.6%, or approximately \$1,703,000, in fiscal year 2015 from fiscal year 2014. Capital projects function disbursements decreased approximately \$1,862,000, and disbursements for the debt service function decreased approximately \$160,000.
- The City's total cash basis net assets increased 26.8%, or approximately \$1,836,000, from June 30, 2014 to June 30, 2015. Of this amount, the cash basis net position of the governmental activities increased approximately \$1,733,000 and the cash basis net position of the business type activities increased approximately \$103,000.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the Government-wide Financial Statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the non-major governmental funds and the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefitting the City.

## **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position present the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position are divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the sanitary sewer system and storm sewer activities. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These funds focus on how money flows into and out of the funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund, and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

- 2) Proprietary funds account for the City's Enterprise Funds and the Internal Service Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Storm Water and Sewer Funds; the Sewer Fund is considered to be a major fund of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.



The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

Reconciliations between the government-wide financial statement and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's balance for governmental activities increased approximately \$1,733,000 from a year ago. The analysis that follows focuses on the cash balances for governmental activities.

Change in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		
	Year Ended June 30,	
	2015	2014
Receipts		
Program Receipts		
Charges for Service	\$ 425	\$ 442
Operating Grants, Contributions and Restricted Interest	1,574	1,636
Capital Grants, Contributions and Restricted Interest	703	503
General Receipts		
Property Tax	3,807	3,641
Tax Increment Financing	126	176
Local Option Sales Tax	857	776
Hotel/Motel Tax	59	56
Unrestricted Interest on Investments	128	77
Bond Proceeds	1,955	--
Other General Receipts	432	133
Total Receipts	<u>10,066</u>	<u>7,440</u>
Disbursements		
Public Safety	1,880	1,930
Public Works	1,413	1,324
Culture and Recreation	848	719
Community and Economic Development	336	226
General Government	621	580
Debt Service	1,454	1,614
Capital Projects	2,016	3,878
Total Disbursements	<u>8,568</u>	<u>10,271</u>
Change in Cash Basis Net Position Before Transfers	1,498	( 2,831)
Transfers, Net	<u>235</u>	<u>223</u>
Change in Cash Basis Net Position	1,733	( 2,608)
Cash Basis Net Position Beginning of Year	<u>4,811</u>	<u>7,419</u>
Cash Basis Net Position End of Year	<u>\$ 6,544</u>	<u>\$ 4,811</u>

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The City's total receipts for governmental activities increased 35.3% or approximately \$2,626,000. The total cost of all programs and services decreased by approximately 16.6% or approximately \$1,703,000, due to a decrease in capital project expenditures.

The cost of all governmental activities this year was approximately \$8,568,000 compared to approximately \$10,271,000 last year.

Change in Cash Basis Net Position of Business Type Activities (Expressed in Thousands)		
	Year Ended June 30,	
	2015	2014
Receipts		
Program Receipts		
Charges for Service		
Sewer	\$ 1,585	\$ 1,594
Storm Water	214	214
Operating Grants, Contributions and Restricted Interest	3	3
General Receipts		
Other General Receipts	81	39
Bond Proceeds	5	--
Total Receipts	<u>1,888</u>	<u>1,850</u>
Disbursements		
Sewer	1,440	1,636
Storm Water	110	72
Total Disbursements	<u>1,550</u>	<u>1,708</u>
Change in Cash Basis Net Position Before Transfers	338	142
Transfers, Net	<u>( 235)</u>	<u>( 223)</u>
Change in Cash Basis Net Position	103	( 81)
Cash Basis Net Position - Beginning of Year	<u>2,039</u>	<u>2,120</u>
Cash Basis Net Position - End of Year	<u>\$ 2,142</u>	<u>\$ 2,039</u>

Total business type activities receipts for the fiscal year were approximately \$1,888,000 compared to approximately \$1,850,000 last year. The cash balance increased by approximately 5.1% or \$103,000 from the prior year. Total disbursements and transfers for the fiscal year decreased by approximately 7.6% to a total of approximately \$146,000.

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Atlantic completed the year, its governmental funds reported a combined fund balance of \$6,041,000, an increase of approximately \$1,390,000 from last year's total of \$4,651,000. The following are changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased by approximately \$323,000 from the prior year to \$2,811,000.
- The Debt Service Fund cash balance decreased approximately \$119,000 to approximately \$96,000.
- The Capital Projects Fund cash balance increased by approximately \$776,000 to approximately \$1,598,000.

## **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Sewer Fund cash balance increased by approximately \$53,000 to approximately \$1,857,000.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget once, which increased budgeted disbursements by \$1,993,800. The budget increase was primarily for disbursements in the capital projects function.

The City's total receipts were more than budgeted by approximately \$149,000 and disbursements were less than budgeted by approximately \$1,566,000. The City's disbursements were less than amounts budgeted for all of the functions.

## DEBT ADMINISTRATION

At June 30, 2015, the City had \$21,823,312 in bonds and other long-term debt, compared to \$21,402,865 last year as shown below.

	Outstanding Debt at Year-End (Expressed in Thousands)	
	Year Ended June 30,	
	2015	2014
General Obligation Bonds	\$ 10,440,000	\$ 9,615,000
Tax Increment Financing Revenue Bonds	32,500	63,000
Revenue Bonds	11,350,812	11,724,865
Total	\$ 21,823,312	\$ 21,402,865

The Constitution of the State of Iowa Limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$ 10,440,000 is below its constitutional debt limit of approximately \$16,737,863.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Atlantic's elected and appointed officials and citizens considered many factors when setting the fiscal year 2016 budget, tax rates and fees charged for various City activities.

These indicators were taken into account when adopting the budget for fiscal year 2016. Amounts available for appropriation in the operating budget are approximately \$8.8 million, a decrease of 6.4% from the final fiscal year 2015 budget. Budgeted disbursements are expected to decrease approximately \$758,000, or 6.5%. The City has added no major new programs or initiatives to the fiscal year 2016 budget.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Deb Wheatley Field, City Clerk, Atlantic, Iowa.

CITY OF ATLANTIC, IOWA  
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION

As of and for the year ended June 30, 2015

		Program Receipts	
	<u>Disbursements</u>	<u>Charges for Service</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>
Functions/Programs:			
Governmental activities:			
Public safety	\$ 1,879,863	\$ 47,669	\$ 13,432
Public works	1,412,781	224,400	745,188
Culture and recreation	848,433	36,006	205,620
Community and economic development	336,575	37,299	204,155
General government	620,884	79,268	405,659
Debt service	1,453,630	--	--
Capital projects	<u>2,015,906</u>	<u>--</u>	<u>--</u>
Total governmental activities	<u>8,568,072</u>	<u>424,642</u>	<u>1,574,054</u>
Business type activities:			
Sewer	1,439,914	1,584,629	2,785
Storm water	<u>109,934</u>	<u>214,289</u>	<u>391</u>
Total business type activities	<u>1,549,848</u>	<u>1,798,918</u>	<u>3,176</u>
Total	<u>\$ 10,117,920</u>	<u>\$ 2,223,560</u>	<u>\$ 1,577,230</u>
General Receipts and Transfers:			
Property and other city tax levied for:			
General purposes			
Debt service			
Tax increment financing			
Local option sales tax			
Hotel/motel tax			
Unrestricted interest on investments			
Bond proceeds			
Miscellaneous			
Sale of capital assets			
Transfers			
Total general receipts and transfers			
Change in cash basis net position			
Cash basis net position beginning of year			
Cash basis net position end of year			

(continued next page)

Program Receipts Capital Grants, Contributions, and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Governmental Activities	Business Type Activities	Total
\$ --	\$ ( 1,818,762)	\$ --	\$ ( 1,818,762)
--	( 443,193)	--	( 443,193)
--	( 606,807)	--	( 606,807)
--	( 95,121)	--	( 95,121)
--	( 135,957)	--	( 135,957)
--	( 1,453,630)	--	( 1,453,630)
<u>702,613</u>	<u>( 1,313,293)</u>	<u></u>	<u>( 1,313,293)</u>
<u>702,613</u>	<u>( 5,866,763)</u>	<u>--</u>	<u>( 5,866,763)</u>
--	--	147,500	147,500
<u>--</u>	<u>--</u>	<u>104,746</u>	<u>104,746</u>
--	--	252,246	252,246
<u>\$ 702,613</u>	<u>( 5,866,763)</u>	<u>252,246</u>	<u>( 5,614,517)</u>
	2,763,321	--	2,763,321
	1,043,905	--	1,043,905
	126,533	--	126,533
	857,058	--	857,058
	58,634	--	58,634
	128,230	--	128,230
	1,955,000	5,000	1,960,000
	424,248	80,872	505,120
	8,056	--	8,056
	<u>235,102</u>	<u>( 235,102)</u>	<u>--</u>
	<u>7,600,087</u>	<u>( 149,230)</u>	<u>7,450,857</u>
	1,733,324	103,016	1,836,340
	<u>4,810,837</u>	<u>2,039,659</u>	<u>6,850,496</u>
	<u>\$ 6,544,161</u>	<u>\$ 2,142,675</u>	<u>\$ 8,686,836</u>

CITY OF ATLANTIC, IOWA  
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION - Continued

As of and for the year ended June 30, 2015

		<u>Program Receipts</u>
		<u>Operating Grants, Contributions, and Restricted Interest</u>
	<u>Disbursements</u>	<u>Charges for Service</u>
Cash Basis Net Position		
Restricted:		
Expendable:		
Streets		
Local option sales tax		
Debt service		
Capital projects		
Tax increment financing		
Other purposes		
Unrestricted		
Total cash basis net position		

The accompanying notes are an integral part of these statements.

Program Receipts Capital Grants, Contributions, and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Governmental Activities	Business Type Activities	Total
	\$ 514,517	\$ --	\$ 514,517
	142,560	--	142,560
	96,487	--	96,487
	1,597,980	--	1,597,980
	416,127	--	416,127
	462,364	--	462,364
	<u>3,314,126</u>	<u>2,142,675</u>	<u>5,456,801</u>
	<u>\$ 6,544,161</u>	<u>\$ 2,142,675</u>	<u>\$ 8,686,836</u>



CITY OF ATLANTIC, IOWA  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2015

	<u>General</u>	<u>Debt Service</u>
Receipts:		
Property tax	\$ 1,813,167	\$ 1,030,926
Tax increment financing	--	--
Local option sales tax	194,056	--
Other city tax	25,007	12,979
Licenses and permits	76,799	--
Use of money and property	75,031	751
Intergovernmental	92,170	--
Charges for service	316,676	--
Miscellaneous	651,064	--
Total receipts	<u>3,243,970</u>	<u>1,044,656</u>
Disbursements:		
Operating:		
Public safety	1,387,217	--
Public works	617,364	--
Culture and recreation	757,304	--
Community and economic development	82,034	--
General government	489,029	--
Debt service	--	1,339,503
Capital projects	--	--
Total disbursements	<u>3,332,948</u>	<u>1,339,503</u>
Excess (deficiency) of receipts over (under) disbursements	( 88,978)	( 294,847)
Other financing sources (uses):		
Sale of assets	2,015	--
Debt proceeds	335,000	--
Operating transfers in	146,782	176,233
Operating transfers out	( 72,138)	--
Total other financing sources (uses)	<u>411,659</u>	<u>176,233</u>
Change in cash balances	322,681	( 118,614)
Cash balances beginning of year	<u>2,488,149</u>	<u>215,101</u>
Cash balances end of year	<u>\$ 2,810,830</u>	<u>\$ 96,487</u>

(continued next page)

<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
\$ --	\$ 868,918	\$ 3,713,011
--	126,533	126,533
342,576	320,426	857,058
--	56,229	94,215
--	--	76,799
51,024	1,424	128,230
685,363	739,524	1,517,057
--	--	316,676
<u>220,868</u>	<u>57,993</u>	<u>929,925</u>
<u>1,299,831</u>	<u>2,171,047</u>	<u>7,759,504</u>
--	492,646	1,879,863
--	795,417	1,412,781
--	91,129	848,433
--	254,541	336,575
--	131,855	620,884
--	114,127	1,453,630
<u>2,015,906</u>	<u>--</u>	<u>2,015,906</u>
<u>2,015,906</u>	<u>1,879,715</u>	<u>8,568,072</u>
( 716,075)	291,332	( 808,568)
--	6,041	8,056
1,215,000	405,000	1,955,000
277,316	159,442	759,773
--	( 452,533)	( 524,671)
<u>1,492,316</u>	<u>117,950</u>	<u>2,198,158</u>
776,241	409,282	1,389,590
<u>821,739</u>	<u>1,126,286</u>	<u>4,651,275</u>
<u>\$ 1,597,980</u>	<u>\$ 1,535,568</u>	<u>\$ 6,040,865</u>

CITY OF ATLANTIC, IOWA  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS - Continued

As of and for the year ended June 30, 2015

	<u>General</u>	<u>Debt Service</u>
Cash Basis Fund Balances		
Restricted for:		
Streets	\$       --	\$       --
Local option sales tax	--	--
Debt service	--	96,487
Capital projects	--	--
Tax increment financing	--	--
Other purposes	--	--
Assigned to:		
Fire station	122,626	--
Unassigned	<u>2,688,204</u>	<u>--</u>
Total cash basis fund balances	<u>\$ 2,810,830</u>	<u>\$ 96,487</u>

The accompanying notes are an integral part of these statements.

<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
\$ --	\$ 514,517	\$ 514,517
--	142,560	142,560
--	--	96,487
1,597,980	--	1,597,980
--	416,127	416,127
--	462,364	462,364
--	--	122,626
<u>--</u>	<u>--</u>	<u>2,688,204</u>
<u>\$ 1,597,980</u>	<u>\$ 1,535,568</u>	<u>\$ 6,040,865</u>

CITY OF ATLANTIC, IOWA  
 RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS,  
 DISBURSEMENTS AND CHANGES IN CASH BALANCES  
 TO THE STATEMENT OF ACTIVITIES AND NET POSITION -  
 GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2015

Total governmental funds cash balances (page 8)	\$ 6,040,865
---	--------------

Amounts reported for governmental activities in the Cash Basis  
 Statement of Activities and Net Position are  
 different because:

The Internal Service Funds is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. A portion of the assets of the Internal Service Funds is included in governmental activities in the Statement of Activities and Net Position.	<u>503,296</u>
---	----------------

Cash basis net position of governmental activities (page 6)	\$ <u>6,544,161</u>
---	---------------------

Change in cash balances (Page 8)	\$ 1,389,590
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Amounts reported for governmental activities in the Cash Basis  
 Statements of Activities and Net Position are different because:

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. A portion of the change in net assets of the Internal Service Fund is included in governmental activities	<u>343,734</u>
--	----------------

Change in cash balances of governmental activities (page 6)	\$ <u>1,733,324</u>
---	---------------------

The accompanying notes are an integral part of these statements.

CITY OF ATLANTIC, IOWA  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
PROPRIETARY FUNDS

As of and for the year ended June 30, 2015

	Enterprise	
	Sewer	Storm Water Nonmajor
Operating receipts:		
Charges for service	\$ 1,584,629	\$ 214,289
Total operating receipts		
Operating disbursements:		
Governmental activities:		
Public safety	--	--
Public works	--	--
Culture and recreation	--	--
Community and economic development	--	--
General government	--	--
Business type activities	749,251	109,934
Total operating disbursements	749,251	109,934
Excess of operating receipts over operating disbursements	835,378	104,355
Non-operating receipts (disbursements):		
Interest on investments	2,785	391
Miscellaneous	34,749	--
Debt proceeds	5,000	--
Debt service	( 690,663)	--
Net non-operating receipts (disbursements)	( 648,129)	391
Excess of receipts over disbursements	187,249	104,746
Operating transfers in	3,000	--
Operating transfers out	( 137,102)	( 101,000)
Total transfers in (out)	( 134,102)	( 101,000)
Change in cash balances	53,147	3,746
Cash balances beginning of year	1,803,830	227,562
Cash balances end of year	\$ 1,856,977	\$ 231,308
Cash Basis Fund Balances		
Restricted for debt service	\$ 57,469	\$ --
Unrestricted	1,799,508	231,308
Total cash basis fund balances	\$ 1,856,977	\$ 231,308

The accompanying notes are an integral part of these statements.

<u>Enterprise</u>	
<u>Total</u>	<u>Internal Service</u>
<u>\$ 1,798,918</u>	<u>\$ 4,144,087</u>
--	1,661,831
--	706,973
--	401,278
--	18,729
--	509,712
<u>859,185</u>	<u>455,908</u>
<u>859,185</u>	<u>3,754,431</u>
939,733	389,656
3,176	201
34,749	--
5,000	--
( 690,663)	--
<u>( 647,738)</u>	<u>201</u>
291,995	389,857
3,000	--
( 238,102)	--
<u>( 235,102)</u>	<u>--</u>
56,893	389,857
<u>2,031,392</u>	<u>167,829</u>
<u>\$ 2,088,285</u>	<u>\$ 557,686</u>
\$ 57,469	\$ --
<u>2,030,816</u>	<u>557,686</u>
<u>\$ 2,088,285</u>	<u>\$ 557,686</u>

CITY OF ATLANTIC, IOWA  
 RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS,  
 DISBURSEMENTS AND CHANGES IN CASH BALANCES  
 TO THE STATEMENT OF ACTIVITIES AND NET POSITION -  
 PROPRIETARY FUNDS

As of and for the year ended June 30, 2015

Total enterprise funds cash balances (page 11)	\$ 2,088,285
--	--------------

Amounts reported for business type activities in the Cash Basis  
 Statement of Activities and Net Position are different  
 because:

The Internal Service Fund is used by management to charge the  
 costs of partial self funding of the City's health insurance  
 benefit plan to individual funds. A portion of the assets of the  
 Internal Service Funds is included in business type activities  
 in the Statement of Activities and Net Position.

54,390

Cash basis net assets of business type activities (page 6)	<u>\$ 2,142,675</u>
--	---------------------

Change in cash balances (Page 11)	\$ 56,893
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Amounts reported for business type activities in the Cash Basis  
 Statement of Activities and Net Position are different because:

The Internal Service Fund is used by management to charge the  
 costs of partial self funding of the City's health insurance  
 benefit plan to individual funds. A portion of the change in net  
 assets of the Internal Service Fund is included in business type  
 activities

46,123

Change in cash balances of business type activities (page 6)	<u>\$ 103,016</u>
--	-------------------

The accompanying notes are an integral part of these statements.



CITY OF ATLANTIC, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Atlantic, Iowa is a political subdivision of the State of Iowa located in Cass County. It was first incorporated in 1869 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides storm water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Atlantic has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

The financial statements do not include financial data for the Atlantic Municipal Utilities, a legally separate entity which should be reported as a discretely presented component unit.

Excluded Component Unit

The Atlantic Municipal Utilities (Utility), established under Chapter 388 of the Code of Iowa, is legally separate from the City, but has the potential to provide specific benefits to or impose specific burdens on the City. The Utility is governed by a five-member board appointed by the Mayor and approved by the City Council. In accordance with criteria set forth by the Government Accounting Standards Board, the Utility meets the definition of a component unit which should be discretely presented.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City, but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of or appoint representatives to the following boards and commissions: Cass County Assessor's Conference Board, Cass County Environmental Control Agency, Cass County Emergency Management Commission, Cass County E911 Joint Service Board, SWIPCO - Regional Planning Commission and Cass County Public Safety Commission.

CITY OF ATLANTIC, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Basis of Presentation

Government-wide Financial Statements

The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

CITY OF ATLANTIC, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those financed through Enterprise Funds.

The City reports the following major proprietary fund:

Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The City reports the following additional proprietary fund:

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

CITY OF ATLANTIC, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Assigned - Amounts the City Council intends to use for specific purposes.

Unassigned - All amounts not included in the preceding classifications.

CITY OF ATLANTIC, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

NOTE 2 - CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

CITY OF ATLANTIC, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

NOTE 3 - BONDS PAYABLE

Annual debt service requirements to maturity for general obligation bonds, tax increment financing (TIF) revenue bonds and local option sales and services tax revenue bonds are as follows:

Year Ending June 30,	General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2016	\$ 830,000	\$ 244,834	\$ 391,061	\$ 351,753
2017	780,000	221,331	405,464	339,120
2018	785,000	204,125	418,982	326,012
2019	875,000	189,533	433,621	312,453
2020	895,000	174,315	448,386	298,406
2021-2025	4,745,000	573,678	2,486,298	1,263,241
2026-2030	1,530,000	62,523	2,508,000	869,400
2031-2035	--	--	2,944,000	467,820
2036-2037	--	--	1,315,000	59,490
	<u>\$ 10,440,000</u>	<u>\$ 1,670,339</u>	<u>\$ 11,350,812</u>	<u>\$ 4,287,695</u>

Year Ending June 30,	Tax Increment Financing Bonds		Total	
	Principal	Interest	Principal	Interest
2016	\$ 32,500	\$ 1,868	\$ 1,253,561	\$ 598,455
2017	--	--	1,185,464	560,451
2018	--	--	1,203,982	530,137
2019	--	--	1,308,621	501,986
2020	--	--	1,343,386	472,721
2021-2025	--	--	7,231,298	1,836,919
2026-2030	--	--	4,038,000	931,923
2031-2035	--	--	2,944,000	467,820
2036-2037	--	--	1,315,000	59,490
	<u>\$ 32,500</u>	<u>\$ 1,868</u>	<u>\$ 21,823,312</u>	<u>\$ 5,959,902</u>

CITY OF ATLANTIC, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

NOTE 3 - BONDS PAYABLE - Continued

Tax Increment Financing (TIF) Revenue Bonds

The City issued \$255,000 of urban renewal tax increment financing (TIF) revenue bonds in March, 2006 for the purpose of defraying a portion of the costs of various construction and refurbishing projects within the urban renewal district. The bonds are payable solely from the income and proceeds of the individual urban renewal tax increment financing funds and the property tax to be paid into the funds in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the tax increment financing revenue bonds are to be expended only for purposes consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City. Total principal and interest remaining on the bonds is \$34,369, payable through June, 2016. For the current year, principal and interest paid and total TIF receipts were \$34,123 and \$142,114, respectively.

Local Option Sales and Services Tax Revenue Bonds

The City has pledged future local option sales and services tax receipts, net of specified allocations and disbursements, to repay \$1,000,000 of local option sales and services tax revenue bonds issued in March, 2004. Proceeds from the bonds provided financing for the cost of the recreation and wellness center. The bonds are payable solely from the proceeds of the local options sales and services tax received by the City in accordance with Chapter 422B.12(3) of the Code of Iowa and are payable through 2025. Annual principal and interest payments on the bonds are expected to require approximately 25% of the LOST fund local option sales tax receipts. The total principal and interest remaining to be paid on the bonds is \$800,037. For the current year, principal and interest paid and LOST fund local option sales tax receipts were \$80,004 and \$320,426, respectively. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City.

The resolutions providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- (a) The bonds will only be redeemed from the future local option sales and services tax received by the City and the bond holders hold a lien on the future revenues received.
- (b) A local option sales and services tax revenue bond sinking account shall be established to account for 15% of the local option sales and services tax collected.
- (c) Sufficient quarterly deposits shall be made to a sinking account for the purpose of making the bond principal and interest payments when due.

During the year ended June 30, 2015, the City was in compliance with the bond provisions.

CITY OF ATLANTIC, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

NOTE 3 - BONDS PAYABLE - Continued

Sewer Revenue Bonds

On June 24, 2011, the City entered into a loan agreement with the Iowa Finance Authority (IFA) and the Iowa Department of Natural Resources (DNR) through the State Revolving Fund Loan program for the issuance of up to \$11,717,000 of sewer revenue bonds with interest at 3.0% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa to pay the costs of building a new wastewater treatment plant, and constructing improvements and extensions to the municipal sanitary sewer system.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay the sewer revenue bonds. The bonds are payable solely from sewer customer net receipts and are payable through 2037. Annual principal and interest payments on the bonds are expected to require less than 83% of net receipts. The total principal and interest remaining to be paid on the bonds is \$14,838,470. For the current year, principal and interest paid and total customer net receipts were \$690,663 and \$835,378, respectively.

The resolution providing for the issuance of the sewer revenue bonds issued under the loan agreement includes the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holder holds a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a sewer revenue bond sinking account within the Enterprise Funds for the purpose of making the bond principal and interest payments when due.
- (c) Sewer user rates shall be established at a level which produces and maintains net revenues at a level not less than 110% of the average annual installments of principal and interest on the bonds falling due in the same year.

During the year ended June 30, 2015, the City was in compliance with the bond provisions.

NOTE 4 - PENSION PLAN

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.



CITY OF ATLANTIC, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

NOTE 4 - PENSION PLAN - Continued

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95% of pay and the City contributed 8.93% for a total rate of 14.88%.

CITY OF ATLANTIC, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

NOTE 4 - PENSION PLAN - Continued

The City's contributions to IPERS for the year ended June 30, 2015 were \$174,551.

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$476,202. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's proportion was 0.012007%, which was a decrease of 0.005176% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the City collective pension expense, collective deferred outflows and collective deferred inflows totaled \$68,087, \$201,900 and \$432,278 respectively.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00%
Salary increases (effective June 30, 2014)	4.00%, average, including inflation
Investment rate of return (effective June 30, 1996)	7.50% per annum, compounded annually, net of pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

CITY OF ATLANTIC, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

NOTE 4 - PENSION PLAN - Continued

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF ATLANTIC, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

NOTE 4 - PENSION PLAN - Continued

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate.

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
City's proportionate share of the net pension liability (asset)	\$ 1,440,646	\$ 476,202	\$( 337,336)

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

NOTE 5 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

**Plan Description:** The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees, and their spouses. There are 34 active and 4 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

**Funding Policy:** The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members ranged from \$736 to \$790 for single coverage and \$1,798 to \$1,913 for family coverage, depending on the plan chosen. The same monthly premiums apply to retirees. For the year ended June 30, 2015, the City contributed \$479,899 and plan members eligible for benefits contributed \$51,442 to the plan.

CITY OF ATLANTIC, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

NOTE 6 - COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation, compensatory time and sick leave for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. These employees will receive a payout of one-half the total accumulated sick hours, up to 240 hours, upon retirement only. The City's approximate liability for earned vacation, compensatory time and sick leave payable to employees at June 30, 2015, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 83,000
Sick leave	130,000
Compensatory time	<u>35,000</u>
Total	<u>\$ 248,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2015.

CITY OF ATLANTIC, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

NOTE 7 - INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue	
	Road Use Tax	\$ 18,250
	Tax Increment Financing	20,532
	Enterprise:	
	Storm Water	31,000
	Sewer	77,000
		<u>146,782</u>
Special Revenue: Road Use Tax	Special Revenue: Local Option Sales Tax	14,000
Special Revenue: Police Pension	Special Revenue: Fire Pension	145,442
Debt Service	General	51,932
	Special Revenue:	
	Tax Increment Financing	26,243
	Enterprise:	
	Storm Water	70,000
	Sewer	28,058
		<u>176,233</u>
Capital Projects	General	20,206
	Special Revenue:	
	Road Use Tax	95,000
	Local Option Sales Tax	117,744
	Grant Matching	12,322
	Enterprise	
	Sewer	32,044
		<u>277,316</u>
Enterprise: Sewer	Special Revenue: Tax Increment Financing	3,000
		<u>\$ 762,773</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

CITY OF ATLANTIC, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

NOTE 8 - RISK MANAGEMENT

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 727 members include various governmental entities throughout the State of Iowa. The Pool was formed in August, 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There has been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2015 were approximately \$120,000.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

CITY OF ATLANTIC, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

NOTE 8 - RISK MANAGEMENT - Continued

The City does not disclose a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2015, no liability has been disclosed in the City's financial statements. As of June 30, 2015, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers' compensation, and airport liability in the amount of \$1,000,000 and \$5,600,000, respectively. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 9 - EMPLOYEE HEALTH INSURANCE PLAN

The City's Internal Service, Medical Benefit Self Insurance Fund was established to account for the partial self funding of the City's health insurance benefit plan. The plan was funded by both employee and City contributions and was administered through a service agreement with Paradigm Benefits. The agreement was subject to automatic renewal provisions. The City assumed liability for claims up to the individual stop loss limitation of \$40,000. Claims in excess of coverage were insured through purchase of stop loss insurance.

Monthly premiums of service fees and plan contributions to the Internal Service, Medical Benefit Self Insurance Fund were recorded as disbursements from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed were paid to Paradigm Benefits from the City's Internal Service, Medical Benefit Self Insurance Fund. The City's contribution to the fund for the year ended June 30, 2015 was \$479,899. In May, 2015, the City changed to a fully insured health insurance plan.



CITY OF ATLANTIC, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

NOTE 10 - COMMITMENTS

The City entered into construction contracts for various construction and street improvements during the year ended June 30, 2015. The unpaid contract balances at June 30, 2015 total approximately \$934,000. The unpaid contract balances will be financed with the use of existing funds.

NOTE 11 - SUBSEQUENT EVENT

In October, 2015, the City paid approximately \$600,000 to settle a catastrophic health claim incurred through its self-funded health insurance plan. In May, 2015, the City switched from a self-funded health insurance plan to a fully insured health insurance plan.

The City has evaluated all subsequent events through December 21, 2015, the date the financial statements were available to be issued.

\* \* \*

## OTHER INFORMATION

CITY OF ATLANTIC, IOWA  
BUDGETARY COMPARISON SCHEDULE  
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -  
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL  
FUNDS AND PROPRIETRY FUNDS

Year ended June 30, 2015

	<u>Governmental Funds Actual</u>	<u>Proprietary Funds Actual</u>	<u>Less Funds not Required to be Budgeted</u>
Receipts:			
Property tax	\$ 3,713,011	\$ --	\$ --
Tax increment financing	126,533	--	--
Other city tax	951,273	--	--
Licenses and permits	76,799	--	--
Use of money and property	128,230	3,377	201
Intergovernmental	1,517,057	--	--
Charges for service	316,676	5,943,005	4,144,087
Miscellaneous	929,925	34,749	--
Total receipts	<u>7,759,504</u>	<u>5,981,131</u>	<u>4,144,288</u>
Disbursements:			
Public safety	1,879,863	1,661,831	1,661,831
Public works	1,412,781	706,973	706,973
Culture and recreation	848,433	401,278	401,278
Health and social services	--	--	--
Community and economic development	336,575	18,729	18,729
General government	620,884	509,712	509,712
Debt service	1,453,630	--	--
Capital projects	2,015,906	--	--
Business type activities	--	2,005,756	455,908
Total disbursements	<u>8,568,072</u>	<u>5,304,279</u>	<u>3,754,431</u>
Excess (deficiency) of receipts over (under) disbursements	( 808,568)	676,852	389,857
Other financing sources (uses), net	<u>2,198,158</u>	<u>( 230,102)</u>	<u>--</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,389,590	446,750	389,857
Balances beginning of year	<u>4,651,275</u>	<u>2,199,221</u>	<u>167,829</u>
Balances end of year	<u>\$ 6,040,865</u>	<u>\$ 2,645,971</u>	<u>\$ 557,686</u>

See accompanying independent auditor's report.

<u>Total</u>	<u>Budgeted Amounts</u>		<u>Final to Total Variance</u>
	<u>Original</u>	<u>Final</u>	
\$ 3,713,011	\$ 3,671,511	\$ 3,671,511	\$ 41,500
126,533	120,500	120,500	6,033
951,273	1,001,228	1,001,228	( 49,955)
76,799	30,070	30,070	46,729
131,406	79,162	79,162	52,244
1,517,057	1,354,368	2,156,368	( 639,311)
2,115,594	1,865,084	1,865,084	250,510
964,674	522,941	522,941	441,733
<u>9,596,347</u>	<u>8,644,864</u>	<u>9,446,864</u>	<u>149,483</u>
1,879,863	2,100,883	2,100,883	221,020
1,412,781	1,579,301	1,585,101	172,320
848,433	937,480	937,480	89,047
--	2,000	2,000	2,000
336,575	276,914	358,914	22,339
620,884	645,321	645,321	24,437
1,453,630	1,453,632	1,453,632	2
2,015,906	837,608	2,743,608	727,702
1,549,848	1,857,227	1,857,227	307,379
<u>10,117,920</u>	<u>9,690,366</u>	<u>11,684,166</u>	<u>1,566,246</u>
( 521,573)	( 1,045,502)	( 2,237,302)	1,715,729
<u>1,968,056</u>	<u>--</u>	<u>1,955,864</u>	<u>12,192</u>
1,446,483	( 1,045,502)	( 281,438)	1,727,921
<u>6,682,667</u>	<u>5,244,501</u>	<u>5,244,501</u>	<u>1,438,166</u>
<u>\$ 8,129,150</u>	<u>\$ 4,198,999</u>	<u>\$ 4,963,063</u>	<u>\$ 3,166,087</u>

CITY OF ATLANTIC, IOWA  
NOTES TO OTHER INFORMATION -  
BUDGETARY REPORTING

June 30, 2015

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted included disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds, and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$1,993,800. The budget amendment is reflected in the final budgeted amounts.

See accompanying independent auditor's report.

CITY OF ATLANTIC, IOWA  
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
LAST FISCAL YEAR\*

OTHER INFORMATION

City's proportion of the net pension liability	0.012007%
City's proportionate share of the net pension liability	\$ 476,202
City's covered-employee payroll:	\$ 1,841,247
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	25.86%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

\* The amounts presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See accompanying independent auditor's report.

CITY OF ATLANTIC, IOWA  
SCHEDULE OF CITY CONTRIBUTIONS  
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
LAST 2 FISCAL YEARS  
OTHER INFORMATION

	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 175,000	\$ 174,000
Contributions in relation to the statutorily required contribution	<u>( 175,000)</u>	<u>( 174,000)</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>
City's covered-employee payroll	\$ 1,850,000	\$ 1,841,000
Contributions as a percentage of covered-employee payroll	9.46%	9.45%

Note: Amounts are rounded

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See accompanying independent auditor's report.

CITY OF ATLANTIC, IOWA  
NOTES TO OTHER INFORMATION - PENSION LIABILITY  
YEAR ENDED JUNE 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

(continued next page)



CITY OF ATLANTIC, IOWA

NOTES TO OTHER INFORMATION - PENSION LIABILITY - Continued

YEAR ENDED JUNE 30, 2015

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25% to 4.00%.
- Lowered the inflation assumption from 3.50% to 3.25%.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

\* \* \*

See accompanying independent auditor's report.

## SUPPLEMENTARY INFORMATION

CITY OF ATLANTIC, IOWA  
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2015

	Special Revenue			
	Road Use	Employee Benefits	Local Option Sales Tax	Police Pension
Receipts:				
Property tax	\$ --	\$ 816,918	\$ --	\$ 36,468
Tax increment financing	--	--	--	--
Local option sales tax	--	--	320,426	--
Other city tax	--	56,229	--	--
Use of money and property	--	219	285	654
Intergovernmental	739,524	--	--	--
Miscellaneous	5,322	49,502	3,169	--
Total receipts	<u>744,846</u>	<u>922,868</u>	<u>323,880</u>	<u>37,122</u>
Disbursements:				
Operating:				
Public safety	--	458,463	--	25,456
Public works	583,158	187,526	24,733	--
Culture and recreation	--	91,129	--	--
Community and economic development	--	--	179,156	--
General government	--	111,732	20,123	--
Debt service	--	--	80,004	--
Total disbursements	<u>583,158</u>	<u>848,850</u>	<u>304,016</u>	<u>25,456</u>
Excess (deficiency) of receipts over (under) disbursements	161,688	74,018	19,864	11,666
Other financing sources (uses):				
Sale of assets	1,057	--	505	--
Debt proceeds	--	--	--	--
Operating transfers in	14,000	--	--	145,442
Operating transfers out	( 113,250)	--	( 131,744)	--
Total other financing sources (uses)	<u>( 98,193)</u>	<u>--</u>	<u>( 131,239)</u>	<u>145,442</u>
Change in cash balances	63,495	74,018	( 111,375)	157,108
Cash balances beginning of year	<u>451,022</u>	<u>185,743</u>	<u>253,935</u>	<u>1,888</u>
Cash balances end of year	<u>\$ 514,517</u>	<u>\$ 259,761</u>	<u>\$ 142,560</u>	<u>\$ 158,996</u>

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Special Revenue				
Fire Pension	Tax Increment Financing	Grant Matching	Police Forfeiture	Total
\$ --	\$ 15,532	\$ --	\$ --	\$ 868,918
--	126,533	--	--	126,533
--	--	--	--	320,426
--	--	--	--	56,229
204	49	--	13	1,424
--	--	--	--	739,524
--	--	--	--	57,993
<u>204</u>	<u>142,114</u>	<u>--</u>	<u>13</u>	<u>2,171,047</u>
4,528	--	--	4,199	492,646
--	--	--	--	795,417
--	--	--	--	91,129
--	75,385	--	--	254,541
--	--	--	--	131,855
--	34,123	--	--	114,127
<u>4,528</u>	<u>109,508</u>	<u>--</u>	<u>4,199</u>	<u>1,879,715</u>
( 4,324)	32,606	--	( 4,186)	291,332
--	--	--	4,479	6,041
--	405,000	--	--	405,000
--	--	--	--	159,442
<u>( 145,442)</u>	<u>( 49,775)</u>	<u>( 12,322)</u>	<u>--</u>	<u>( 452,533)</u>
<u>( 145,442)</u>	<u>355,225</u>	<u>( 12,322)</u>	<u>4,479</u>	<u>117,950</u>
( 149,766)	387,831	( 12,322)	293	409,282
<u>149,766</u>	<u>28,296</u>	<u>45,621</u>	<u>10,015</u>	<u>1,126,286</u>
<u>\$ --</u>	<u>\$ 416,127</u>	<u>\$ 33,299</u>	<u>\$ 10,308</u>	<u>\$ 1,535,568</u>

CITY OF ATLANTIC, IOWA  
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2015

		Special Revenue		
	<u>Road Use</u>	<u>Employee Benefits</u>	<u>Local Option Sales Tax</u>	<u>Police Pension</u>
Cash Basis Fund Balances				
Restricted for:				
Streets	\$ 514,517	\$ --	\$ --	\$ --
Tax increment financing	--	--	--	--
Other purposes	<u>--</u>	<u>259,761</u>	<u>142,560</u>	<u>158,996</u>
Total cash basis fund balances	<u>\$ 514,517</u>	<u>\$ 259,761</u>	<u>\$ 142,560</u>	<u>\$ 158,996</u>

See accompanying independent auditor's report.

Special Revenue				
<u>Fire Pension</u>	<u>Tax Increment Financing</u>	<u>Grant Matching</u>	<u>Police Forfeiture</u>	<u>Total</u>
\$ --	\$ --	\$ --	\$ --	\$ 514,517
--	416,127	--	--	416,127
<u>--</u>	<u>--</u>	<u>33,299</u>	<u>10,308</u>	<u>604,924</u>
<u>\$ --</u>	<u>\$ 416,127</u>	<u>\$ 33,299</u>	<u>\$ 10,308</u>	<u>\$ 1,535,568</u>

CITY OF ATLANTIC, IOWA  
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
INTERNAL SERVICE FUNDS

As of and for the year ended June 30, 2015

	<u>Payroll Revolving</u>	<u>Medical Benefit Self Insurance</u>
Operating receipts:		
Charges for service:		
Personal service costs from operating funds	\$ 2,065,911	\$ 2,062,777
Operating disbursements:		
Governmental activities:		
Public safety	863,002	794,066
Public works	346,440	360,533
Culture and recreation	256,273	142,861
Community and economic development	18,729	--
General government	325,352	180,668
Business type activities	256,115	198,483
Total operating disbursements	<u>2,065,911</u>	<u>1,676,611</u>
Excess of receipts over disbursements	--	386,166
Non-operating receipts:		
Interest on investments	<u>--</u>	<u>201</u>
Change in cash balances	--	386,367
Cash balances beginning of year	<u>--</u>	<u>166,651</u>
Cash balances end of year	<u>\$ --</u>	<u>\$ 553,018</u>

See accompanying independent auditor's report.

<u>Cafeteria Plan</u>	<u>Total</u>
\$ 15,399	\$ 4,144,087
4,763	1,661,831
--	706,973
2,144	401,278
--	18,729
3,692	509,712
<u>1,310</u>	<u>455,908</u>
<u>11,909</u>	<u>3,754,431</u>
3,490	389,656
<u>--</u>	<u>201</u>
3,490	389,857
<u>1,178</u>	<u>167,829</u>
<u>\$ 4,668</u>	<u>\$ 557,686</u>



CITY OF ATLANTIC, IOWA  
SCHEDULE OF INDEBTEDNESS  
Year ended June 30, 2015

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General Obligation Bonds:			
Fire equipment	January 15, 2009	4.40-5.20%	\$ 395,000
Refunding	October 26, 2010	0.70-1.85%	1,610,000
Corporate purpose	April 27, 2011	2.50-3.70%	3,100,000
Corporate purpose	March 28, 2012	1.10-2.50%	4,435,000
Corporate purpose	May 30, 2013	0.25-2.50%	2,720,000
Economic development	April 16, 2015	2.40-3.00%	405,000
Corporate purpose	April 16, 2015	2.00-3.00%	1,550,000
Total General Obligation Bonds			
Tax Increment Financing (TIF) Revenue Bonds:			
North urban renewal business park	March 17, 2006	5.75%	255,000
Revenue Bonds:			
Local option sales tax	March 1, 2004	4.80%	1,000,000
Sewer	June 24, 2011	3.00%	11,707,000
Total Revenue Bonds			

See accompanying independent auditor's report.

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 175,000	\$ --	\$ 40,000	\$ 135,000	\$ 7,795	\$ 506
195,000	--	130,000	65,000	3,608	100
2,735,000	--	170,000	2,565,000	84,394	6,679
4,190,000	--	310,000	3,880,000	81,098	6,241
2,320,000	--	480,000	1,840,000	31,560	2,508
--	405,000	--	405,000	--	1,184
<u>--</u>	<u>1,550,000</u>	<u>--</u>	<u>1,550,000</u>	<u>--</u>	<u>3,670</u>
<u>\$ 9,615,000</u>	<u>\$1,955,000</u>	<u>\$1,130,000</u>	<u>\$ 10,440,000</u>	<u>\$ 208,455</u>	<u>\$ 20,888</u>
<u>\$ 63,000</u>	<u>\$ --</u>	<u>\$ 30,500</u>	<u>\$ 32,500</u>	<u>\$ 3,623</u>	<u>\$ 156</u>
\$ 671,580	\$ --	\$ 47,768	\$ 623,812	\$ 32,236	\$ 14,972
<u>11,053,285</u>	<u>5,000</u>	<u>331,285</u>	<u>10,727,000</u>	<u>359,378</u>	<u>26,818</u>
<u>\$11,724,865</u>	<u>\$ 5,000</u>	<u>\$ 379,053</u>	<u>\$ 11,350,812</u>	<u>\$ 391,614</u>	<u>\$ 41,790</u>

CITY OF ATLANTIC, IOWA  
BOND AND NOTE MATURITIES  
June 30, 2015

General Obligation Bonds

<u>Year ending June 30,</u>	<u>Fire Equipment Issued Jan. 15, 2009</u>		<u>Refunding Issued Oct. 26, 2010</u>		<u>Corporate Purpose Issued April 27, 2011</u>	
	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>
2016	4.50%	\$ 45,000	1.85%	\$ 65,000	2.625%	\$ 200,000
2017	4.50%	45,000	--	--	2.625%	205,000
2018	4.50%	45,000	--	--	2.625%	210,000
2019	--	--	--	--	2.650%	215,000
2020	--	--	--	--	2.850%	225,000
2021	--	--	--	--	3.100%	230,000
2022	--	--	--	--	3.250%	240,000
2023	--	--	--	--	3.400%	250,000
2024	--	--	--	--	3.500%	255,000
2025	--	--	--	--	3.600%	260,000
2026	--	--	--	--	3.700%	275,000
2027	--	--	--	--	--	--
2028	--	--	--	--	--	--
		<u>\$ 135,000</u>		<u>\$ 65,000</u>		<u>\$2,565,000</u>

Revenue Bonds

<u>Year ending June 30,</u>	<u>Local Option Sales Tax Issued March 1, 2004</u>		<u>Sewer Revenue Bond Issued June 24, 2011</u>	
	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>
2016	4.80%	\$ 50,061	3.00%	\$ 341,000
2017	4.80%	52,464	3.00%	353,000
2018	4.80%	54,982	3.00%	364,000
2019	4.80%	57,621	3.00%	376,000
2020	4.80%	60,387	3.00%	388,000
2021	4.80%	63,286	3.00%	401,000
2022	4.80%	66,323	3.00%	414,000
2023	4.80%	69,507	3.00%	427,000
2024	4.80%	72,843	3.00%	441,000
2025	4.80%	76,338	3.00%	455,000
2026	--	--	3.00%	470,000
2027	--	--	3.00%	485,000
2028	--	--	3.00%	501,000
2029	--	--	3.00%	518,000
2030	--	--	3.00%	534,000
2031	--	--	3.00%	552,000
2032	--	--	3.00%	570,000
2033	--	--	3.00%	588,000
2034	--	--	3.00%	607,000
2035	--	--	3.00%	627,000
2036	--	--	3.00%	647,000
2037	--	--	3.00%	668,000
		<u>\$ 623,812</u>		<u>\$ 10,727,000</u>

See accompanying independent auditor's report.

Corporate Purpose Refunding Issued March 28, 2012		Corporate Purpose Issued May 30, 2013		Economic Development Issued April 16, 2015		Corporate Purpose Issued April 16, 2015	
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2.00%	\$ 265,000	1.00%	\$ 120,000		\$ --	2.00%	\$ 135,000
2.00%	305,000	1.00%	80,000		--	2.00%	145,000
1.10%	305,000	1.00%	80,000		--	2.00%	145,000
1.30%	340,000	1.00%	140,000	2.40%	25,000	2.00%	155,000
1.50%	325,000	1.05%	140,000	2.40%	50,000	2.00%	155,000
1.70%	320,000	1.25%	155,000	2.40%	55,000	2.25%	160,000
1.90%	305,000	1.50%	160,000	3.00%	55,000	2.15%	160,000
2.05%	305,000	1.75%	170,000	3.00%	60,000	2.15%	160,000
2.20%	305,000	1.90%	175,000	3.00%	60,000	3.00%	165,000
2.30%	325,000	2.00%	180,000	3.00%	65,000	3.00%	170,000
2.40%	325,000	2.15%	145,000	3.00%	35,000		--
2.50%	455,000	2.30%	155,000		--		--
	--	2.50%	140,000		--		--
	<u>\$3,880,000</u>		<u>\$1,840,000</u>		<u>\$ 405,000</u>		<u>\$1,550,000</u>

Tax Increment Financing Bonds	
<u>Issued March 21, 2006</u>	
<u>Interest Rates</u>	<u>Amount</u>
5.75%	\$ 32,500
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	\$ 32,500

CITY OF ATLANTIC, IOWA  
SCHEDULE OF RECEIPTS BY SOURCE AND  
DISBURSEMENTS BY FUNCTION -  
ALL GOVERNMENTAL FUNDS  
For the Last Ten Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Receipts:				
Property tax	\$ 3,713,011	\$ 3,591,699	\$ 3,399,467	\$ 3,099,062
Tax increment financing	126,533	176,001	86,689	86,256
Local option sales tax	857,058	776,080	831,635	812,825
Other city tax	94,215	48,949	199,462	194,936
Licenses and permits	76,799	78,881	41,275	23,467
Use of money and property	128,230	77,437	64,033	72,917
Intergovernmental	1,517,057	1,264,235	2,087,557	1,248,563
Charges for service	316,676	323,523	48,828	60,848
Special assessments	--	--	--	--
Miscellaneous	<u>929,925</u>	<u>1,043,110</u>	<u>479,894</u>	<u>708,977</u>
Total	<u>\$ 7,759,504</u>	<u>\$ 7,379,915</u>	<u>\$ 7,238,840</u>	<u>\$ 6,307,851</u>
Disbursements:				
Operating:				
Public safety	\$ 1,879,863	\$ 1,930,214	\$ 2,048,567	\$ 1,668,348
Public works	1,412,781	1,323,582	1,421,162	1,243,574
Health and social services	--	--	--	12,543
Culture and recreation	848,433	718,912	737,974	786,566
Community and economic development	336,575	225,955	268,794	245,333
General government	620,884	579,605	579,927	573,544
Debt service	1,453,630	1,613,819	1,338,566	1,289,596
Capital projects	<u>2,015,906</u>	<u>3,878,443</u>	<u>4,337,072</u>	<u>3,508,919</u>
Total	<u>\$ 8,568,072</u>	<u>\$ 10,270,530</u>	<u>\$ 10,732,062</u>	<u>\$ 9,328,423</u>

See accompanying independent auditor's report.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 2,841,706	\$ 2,610,770	\$ 2,848,499	\$ 2,728,825	\$ 2,563,716	\$ 2,439,308
123,056	124,486	109,725	247,992	238,660	158,355
724,158	739,713	774,698	674,076	726,447	582,645
137,681	130,595	132,693	130,483	116,357	113,038
57,657	55,387	46,329	28,908	26,704	29,882
56,908	65,980	115,318	159,049	171,874	135,334
3,392,059	1,739,197	1,625,672	2,745,491	4,085,700	3,622,092
51,088	50,054	39,586	37,908	38,493	41,544
--	--	--	--	--	729
<u>711,878</u>	<u>351,292</u>	<u>738,535</u>	<u>276,775</u>	<u>476,955</u>	<u>454,504</u>
<u>\$ 8,096,191</u>	<u>\$ 5,867,474</u>	<u>\$ 6,431,055</u>	<u>\$ 7,029,507</u>	<u>\$ 8,444,906</u>	<u>\$ 7,577,431</u>
\$ 1,563,057	\$ 1,917,127	\$ 1,929,247	\$ 2,128,960	\$ 1,951,333	\$ 1,965,094
1,270,811	1,444,231	1,516,690	1,460,714	1,131,099	1,194,866
10,349	9,700	11,993	9,998	--	12,385
734,533	505,058	539,893	518,574	553,493	423,996
294,740	206,676	210,406	382,197	256,151	494,547
512,557	514,114	521,550	505,944	499,782	456,453
1,013,557	1,057,967	1,094,777	1,974,011	1,100,134	1,079,642
<u>2,742,110</u>	<u>1,843,733</u>	<u>1,389,972</u>	<u>2,033,635</u>	<u>3,475,138</u>	<u>3,213,291</u>
<u>\$ 8,141,714</u>	<u>\$ 7,498,606</u>	<u>\$ 7,214,528</u>	<u>\$ 9,014,033</u>	<u>\$ 8,967,130</u>	<u>\$ 8,840,274</u>

CITY OF ATLANTIC, IOWA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2015

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
Direct:			
U.S. Department of Transportation:			
Federal Aviation Administration:			
Airport Improvement Program	20.106	3-19-0005-11	\$ 666,841
Total direct			<u>666,841</u>
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grant Program	14.228	11-HSG-001	216,749
U.S. Department of Transportation:			
Iowa Department of Public Safety:			
Governor's Traffic Safety Bureau:			
State and Community Highway Safety	20.600	PAP 14-402, Task 21-20-00	4,200
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	STP-0-0285(616)-70-15	<u>43,317</u>
Total indirect			<u>264,266</u>
			<u>\$ 931,107</u>

Basis of Presentation -The Schedule of Expenditures of Federal Awards includes the federal grant activity of City of Atlantic and is presented on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

## COMMENTS AND RECOMMENDATIONS



# Gronewold, Bell, Kyhnn & Co. P.C.

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS AND FINANCIAL CONSULTANTS

1910 EAST 7th STREET BOX 369  
ATLANTIC, IOWA 50022-0369  
(712) 243-1800  
FAX (712) 243-1265  
CPA@GBKCO.COM

MARK D. KYHNN  
DAVID L. HANNASCH  
KENNETH P. TEGELS  
CHRISTOPHER J. NELSON  
DAVID A. GINTHER

## Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Honorable Mayor and  
Members of the City Council

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Atlantic, Iowa, as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 21, 2015. Our report expressed an adverse opinion and unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Atlantic's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Atlantic's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Atlantic's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City of Atlantic's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

To the Honorable Mayor and  
Members of the City Council

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies: 15-I-A.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Atlantic's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted a certain immaterial instance of non-compliance or other matters which is described in Part IV of the accompanying schedule of findings and questioned costs.

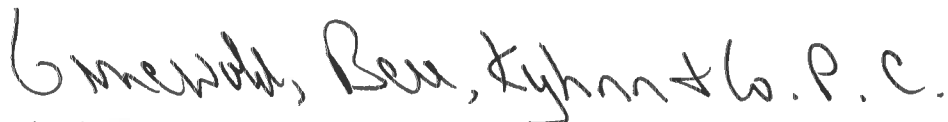
Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### **Responses to Findings**

The City of Atlantic's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City of Atlantic's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Atlantic, Iowa  
December 21, 2015

# Gronewold, Bell, Kyhnn & Co. P.C.

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS AND FINANCIAL CONSULTANTS

1910 EAST 7th STREET BOX 369  
ATLANTIC, IOWA 50022-0369  
(712) 243-1800  
FAX (712) 243-1265  
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MARK D. KYHNN  
DAVID L. HANNASCH  
KENNETH P. TEGELS  
CHRISTOPHER J. NELSON  
DAVID A. GINTHER

## Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133

To the Honorable Mayor and  
Members of the City Council

### **Report on Compliance for Each Major Federal Program**

We have audited the City of Atlantic, Iowa's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on the City of Atlantic's major federal program for the year ended June 30, 2015. The City of Atlantic's major federal program is identified in Part I of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for the City of Atlantic's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Atlantic's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City of Atlantic's compliance.

To the Honorable Mayor and  
Members of the City Council

### **Opinion on Each Major Federal Program**

In our opinion, the City of Atlantic complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

### **Report on Internal Control Over Compliance**

Management of the City of Atlantic is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Atlantic's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Atlantic's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Grenwald, Ben, Kyhn & W.P. C.*

Atlantic, Iowa  
December 21, 2015

CITY OF ATLANTIC, IOWA  
Schedule Of Findings And Questioned Costs  
Year ended June 30, 2015

PART I: Summary of the Independent Auditor's Results

*Financial Statements*

- (a) Type of auditor's report issued:
- Unmodified and adverse opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Internal control over financial reporting:
- Material weakness(es) identified?        yes   X   no
  - Significant deficiency(ies) identified?   X   yes        none reported
- (c) Noncompliance material to financial statements noted?        yes   X   no

*Federal Awards*

- (d) Internal control over major program:
- Material weakness(es) identified?        yes   X   no
  - Significant deficiency(ies) identified?        yes   X   none reported
- (e) Type of auditor's report issued on compliance for major program:
- Unmodified.
- (f) Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of the OMB Circular A-133?        yes   X   no
- (g) Identification of major program:
- CFDA Number 20.106 - Airport Improvement Program
- (h) Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.
- (i) Auditee qualified as low-risk auditee?        yes   X   no

CITY OF ATLANTIC, IOWA  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2015

PART II: Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES:

- 15-II-A Segregation of Duties: One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. However, because there are a limited number of people that have the primary responsibility for the accounting and financial duties, those aspects of internal accounting control which rely upon an adequate segregation of duties are missing in the City.

Recommendation: We recommend that the City review its control procedures to obtain the maximum internal control possible under the circumstances and the Council be aware of the lack of segregation of duties and that they act as an oversight group to the accounting personnel.

Response: We will continue work in this area to increase segregation of duties.

Conclusion: Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

CITY OF ATLANTIC, IOWA  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2015

PART III: Findings and Questioned Costs For Federal Awards

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

PART IV: Other Findings Related to Statutory Reporting

15-IV-A Certified Budget: Disbursements during the year ended June 30, 2015 did not exceed the amounts budgeted.

15-IV-B Questionable Disbursements: During the audit, we did not note any disbursements that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

15-IV-C Travel Expense: No expenditures of City money for travel expenses of spouses of City officials and/or employees were noted.

CITY OF ATLANTIC, IOWA

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

PART IV: Other Findings Related to Statutory Reporting - Continued

- 15-IV-D Business Transactions: Business transactions between the City and City officials and/or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Description</u>	<u>Amount</u>
Mike Henningsen, Airport Commissioner, Owner of Henningsen Construction	Hot mix asphalt Cold patch asphalt	\$ 21,005

The hot mix asphalt and cold patch asphalt transactions do not appear to represent conflicts of interest since they were competitively bid in accordance with Chapter 362.5(3)(d) of the Code of Iowa.

- 15-IV-E Bond Coverage: Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- 15-IV-F Council Minutes: No transactions were found that we believe should have been approved in the Council minutes but were not.
- 15-IV-G Deposits and Investments: We noted no instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy.
- 15-IV-H Revenue Bonds: No instances of non-compliance with the revenue bond resolutions were noted.
- 15-IV-I Economic Development: The City provides funding to Cass/Atlantic Economic Development and to the Atlantic Chamber of Commerce. In accordance with Chapter 15A of the Code of Iowa, the City is providing oversight of these funds to determine the funds are being spent in accordance with the agreements and expenses meet the test of public purpose.
- 15-IV-J Urban Renewal Annual Report: The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.

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